



**METROPOLITAN
TRANSPORTATION
COMMISSION**

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TTY/TDD 510.817.5769
FAX 510.817.5848
EMAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

July 1, 2014

Amy Rein Worth, Chair
Cities of Contra Costa County

Dave Cortese, Vice Chair
Santa Clara County

Alicia C. Aguirre
Cities of San Mateo County

Tom Azumbrado
U.S. Department of Housing
and Urban Development

Tom Bates
Cities of Alameda County

David Campos
City and County of San Francisco

Bill Dodd
Napa County and Cities

Dorene M. Giacomini
U.S. Department of Transportation

Federal D. Glover
Contra Costa County

Scott Haggerty
Alameda County

Anne W. Halsted
San Francisco Bay Conservation
and Development Commission

Steve Kinsey
Marin County and Cities

Sam Liccardo
San Jose Mayor's Appointee

Mark Luce
Association of Bay Area Governments

Jake Mackenzie
Sonoma County and Cities

Joe Pirzynski
Cities of Santa Clara County

Jean Quan
Oakland Mayor's Appointee

Bijan Sartipi
California State
Transportation Agency

James P. Spering
Solano County and Cities

Adrienne J. Tissier
San Mateo County

Scott Wiener
San Francisco Mayor's Appointee

Steve Heminger
Executive Director

Alix Bockelman
Deputy Executive Director, Policy

Andrew B. Fremier
Deputy Executive Director, Operations

RE: FY2014-15 and FY2015-16 Transit Capital Priorities Call for Projects

Dear Interested Applicant:

The Metropolitan Transportation Commission (MTC) is soliciting transit projects from eligible federal grantees for programming:

- An estimated \$793 million in regional apportionments of Federal Transit Administration (FTA) Section 5307 Urbanized Area, 5337 State of Good Repair, and 5339 Bus & Bus Facilities funds (together referred to as Transit Capital Priorities or TCP) for FY2014-15 and FY2015-16;
- \$4.7 million in federal Surface Transportation Program (STP) funds, which is the remainder of the \$37 million of STP funds dedicated to TCP in the Commission's Cycle 2 Programing Policy; and
- Approximately \$22 million of matching AB 664 bridge toll funds. The AB664 funds will be programmed as part of the TCP programming process, but will be recommended for approval via a separate resolution.

Applications are due to MTC by **Monday, August 4, 2014.**

Proposed projects will be used to develop preliminary TCP programs for FY2014-15 and FY2015-16, which will be amended into the region's Transportation Improvement Program (TIP). The preliminary programs will be based on estimated revenues, and will be revised to match final FTA apportionments for each year. MTC adopts a preliminary two-year program to assist transit operators with multi-year capital budgeting and enable a longer-term regional perspective of capital replacement needs.

Transit Capital Priorities Policy Update

Project selection will be based on MTC's TCP Process and Criteria for FY2014-15 and FY2015-16 (MTC Resolution No. 4140, included as Attachment 1) approved by the MTC Commission on June 25, 2014. Over the last six months, MTC staff has been working with the transit operators through the Bay Area Partnership's Transit Finance Working Group (TFWG) to update these policies. Resolution No. 4140 largely continues the policies adopted for previous funding rounds, with some changes summarized below.

Policy Updates:

1. **Core Capacity Challenge Grant Program**

The Transit Core Capacity Challenge Grant program (MTC Resolution No. 4123), adopted by the Commission in December 2013, makes a policy commitment of approximately \$7.5 billion in federal, state, regional and local funds over the FY2014-15 to FY2029-30 period to fund key transit capital replacement, rehabilitation, and enhancement needs. The total includes \$3.3 billion of FTA and STP funds to be programmed through the TCP program, and \$152 million of AB 664 funds.

Various components of the TCP policy were updated to ensure that the program is consistent with the funding amounts, local match requirements and other terms and conditions specified in Resolution No. 4123, and add references to the financing requirements for implementing the CCCGP. The next steps in developing this program will be to work with BART, SFMTA and AC Transit on the cash flow needs, timing of projects, and local revenues, and work with the Transit Finance Working Group (TFWG) on developing the FY2014-15 and FY2015-16 cycle of the TCP and AB 664 programs.

2. **Bus-Van Pricelist**

The regional bus-van pricelist was updated for programming FTA Section 5307 and 5339 funds for bus and van procurements in FY2014-15 and FY2015-16. The purpose of the pricelist is to treat operators equitably while providing sufficient funding for vehicle replacements. The current pricelist is based on a survey of operators regarding costs of recent vehicle procurements, and is shown under Tables 4 and 5 (for FY2014-15 and FY2015-16 respectively) in Attachment 1.

3. **ADA Set Aside Formula**

Under the regional TCP policy, an amount equal to 10 percent of each participating urbanized area's FTA Section 5307 apportionment is set aside to assist operators in defraying ADA paratransit operating expenses as allowed by FTA. The previous formula for distributing the ADA set-aside had not been updated in over ten years, so most new operators were not included. In addition, the previous formula was based primarily on revenue generations (the portion of the apportionments in each Urbanized Area generated by each operator's services). Based upon feedback from the TFWG, MTC approved a new formula with the following factors: a) Annual Demand Response Operating Expenses (40%), b) Annual Demand Response Ridership (40%), and c) Annual Overall Ridership (20%). Table 7 in Attachment 1 shows the percentages by operator.

4. **Fixed Guideway Caps**

The fixed guideway project caps have been updated. The caps limit the amount of TCP funding for fixed guideway infrastructure replacement and rehabilitation, such as track, bridges, and train control systems. This helps to ensure sufficient TCP funds for vehicle replacement, the highest priority for MTC. The total amount available for fixed guideway caps is based on projected FTA revenues compared to vehicle replacements and other Score 16 needs over the next 15 years. The cap for each fixed guideway operator is based on the operator's share of projected fixed guideway

needs in Plan Bay Area. The updated fixed guideway projections are shown under Table 3 in Attachment 1. The “Project Funding Caps” section of the TCP policy was also updated to clarify that programming for replacement/rehabilitation of wayside fare collection and on board fare collection equipment for fixed guideway vehicles must be within the operator’s cap amount.

5. **Other Project Caps**

The policy caps funding for equipment replacement projects other than revenue vehicles and fixed guideway infrastructure (which have separate project caps) at \$5 million per project. The updated policy clarifies how the cap applies to replacement of Clipper® fare collection equipment, which, unlike other equipment replacement projects, is centralized under MTC. Replacement of Clipper® fare collection equipment will be treated as a separate project for each operator whose Clipper® equipment is being replaced, including MTC for the replacement of back-end equipment and systems, for the purposes of applying this project funding cap.

6. **Vehicle Replacement Policy**

Under previous TCP policies, vehicle age was the only factor for determining eligibility for replacement funding. To be eligible for replacement, vehicles must meet certain age requirements (depending on type of asset being replaced) in the year of programming (e.g., 12 years for a standard heavy-duty bus). The updated TCP policy incorporates the FTA policy regarding vehicle replacement which establishes a minimum of “12 years or 500,000 miles in service before retirement whichever comes first” to acknowledge that higher mileage may warrant earlier replacement.

7. **1% Security Policy**

Section 5307 of the Federal Transit Act requires 1 percent of 5307 apportionments to be spent on public transit security needs. FTA’s updated 5307 circular (FTA Circular 9030.1E - January 16, 2014) allows designated recipients to comply with this requirement at an urbanized area level rather than at an individual grant level as required by the previous circular. Under the updated policy, the TCP Program of Projects will include programming for security projects of at least 1 percent of the apportionment in each UA. The security programming may not apply to all eligible operators in a UA, depending on need for security projects.

8. **Transit Sustainability Project Recommendations**

“Compensation for cost-effective bus purchases” was added to the TCP policy as an incentive for operators to participate in joint vehicle procurements. This element allows operators that request less than the full pricelist amount for vehicle replacements to use the savings for other capital needs.

Application Instructions

Project Template

Project sponsors should apply for funds using the Excel project template included as **Attachment 2**. Further instructions regarding the template are included on **Attachments 3 and 4**. Project sponsors should use the Notes column in the project template to explain any special TCP policy elements that

apply to requested projects, such as requests to advance funding for vehicle replacements, or provide other information that will help MTC staff understand the request. The note can refer to a more detailed explanation in a cover memo or a separate attachment. See the Notes section of Attachment 3 for a list of policy elements that should be highlighted. Related materials can be downloaded from MTC's website at <http://www.mtc.ca.gov/funding>. Completed templates should be emailed to Shruti Hari at shari@mtc.ca.gov by 5:00 p.m. on **Monday, August 4, 2014**.

Revenue estimates for the FTA formula programs included in TCP are provided in **Attachment 5**, and are used for determining amounts for the 10% ADA set-aside, the 1% associated transit improvements (formerly known as transit enhancements) and 1% security requirements. The revenues available for programming include projected apportionments for FY2014-15 and FY2015-16, as well as prior-year unprogrammed carryover funds.

Congress has not yet enacted a surface transportation reauthorization bill to take the place of MAP-21, which expires on September 30, 2014, so the amount of funding available for the FY2014-15 and FY2015-16 TCP program is currently unknown. Both Plan Bay Area and the Core Capacity Challenge Grant (CCCCG) program assumed a 3 percent average annual increase in TCP funds. Based on preliminary legislative proposals from the U.S. Senate and House of Representatives, MTC staff have assumed no funding increase in FY2015 over FY2014 funding amounts and a nominal inflation adjustment of 1.6 percent for FY2016. If actual apportionments exceed the projections, additional funds can be programmed in the annual Program of Projects amendment, which reconciles the preliminary program with the apportionments, or carried over and programmed in the following year. Funding availability is also subject to pre-existing programming commitments and project deferments.

Project sponsors do not need to indicate a specific FTA funding program i.e., Section 5307, 5337 or 5339 in an application. MTC will assign funding sources during the program development process based on the project's eligibility for each program, projected revenues, and urbanized area constraints. Project funding will be based on the Multi-County Agreement Model. See Attachment 1, Section III B, Program Eligibility; Section III B, Urbanized Area Eligibility; and Section III C, Project Apportionment Model for Eligible Urbanized Areas, for more information.

All projects for which you are requesting FY2015 or FY2016 TCP funds, including ADA paratransit operating assistance projects funded by the 10% ADA set-aside, should be entered in the appropriate worksheet.

Please do not include requests for funding from the Lifeline Transportation, Transit Performance Initiative Investment, or Transit Performance Initiative Incentive programs. These programs have separate calls for projects and program development processes.

Project Description

Project sponsors should complete a separate line on the Excel template for each discrete project. All projects must be well defined. There must be clear project limits, an intended scope of work, and a project concept. Examples of score 16 projects include:

- Replacement/rehab of one revenue vehicle sub-fleet or ferry vessel; a sub-fleet is defined as the same bus size, manufacturer, and year; or any portion of a train set that reaches the end of its useful life at a common time.
- Train control or traction power replacement/rehab needs for a given year.
- Fixed guideway replacement/rehab needs for a given year (e.g., track replacement and related fixed guideway costs, ferry fixed guideway connectors).

The description should be sufficiently detailed to determine which FTA program(s) the project is eligible for, demonstrate that the project meets the screening criteria, and to assign a TCP score. See Attachment 1, Section III B, Program Eligibility, Section III B, Screening Criteria, and Section III B, Project Scoring for more information.

Asset Useful Life

Projects for normal asset replacement or rehabilitation of revenue vehicles, non-revenue vehicles, service vehicles, or maintenance tools and equipment, must meet the minimum age requirements specified in the TCP policy (see Attachment 1, Section III B, Asset Useful Life.) However, requests to program vehicle replacement funds prior to the first eligible year in order to advance procurements or replace vehicles with higher than normal maintenance costs will be considered if the proposal has minimal impacts on other operators and can be accommodated within the region's fiscal constraints. Operators that voluntarily replace buses or vans beyond the specified minimum useful life, or request less than the full pricelist amounts, are eligible for financial compensation (see Attachment 1, Section III B, Compensation for Deferred Replacement & Compensation for Cost Effective Bus Purchases).

For vehicle replacement requests, project descriptions should include the number, type (over-the-road coach, standard bus, paratransit van, etc.), length, fuel type (diesel, gas, CNG, or hybrid), year and manufacturer for both the vehicles being replaced and the vehicles being procured.

Further, the template includes asset classification fields developed for the Regional Transit Capital Inventory to link proposed projects to the region's capital replacement and rehab needs. Providing this information will strengthen the justification for projects and improve consistency across operators.

Bus-Van Prices

The costs for bus and van procurements, including the federal/local split, cannot exceed the prices in the regional bus-van pricelist, which is included as **Attachment 6**. If an operator elects to replace vehicles with vehicles of a different fuel type, the price listed for the new fuel type vehicle applies, e.g., if an operator is replacing diesel buses with diesel-electric hybrid buses, the operator may request funds up to the amount listed for hybrid buses.

Note that bus prices do not include allowances for radios and fareboxes; operators may request funding for radios and fareboxes as a separate project from the vehicle procurement. Operators are expected to include Clipper wiring and brackets in all new buses, so the buses are Clipper-ready without requiring additional expenses.

Match Amounts

The federal/local splits in the pricelist are now uniformly 82%/18% across all vehicle types. All other capital projects should reflect a federal share of not more than 80%. Requests for operating assistance should reflect a federal share of not more than 50%. On the application spreadsheet, enter the appropriate amounts in the federal and local columns, and indicate the expected sources of matching funds.

Project Caps

For vehicle procurements, fixed guideway replacement/rehab projects, other replacement projects, and expansion or enhancement projects subject to the programmatic financial caps detailed in Attachment 1, Section III B, Project Funding Caps, and in **Attachment 7**, project sponsors should submit total project costs for MTC staff review. The caps will be applied by MTC staff in the programming process.

When developing the proposed TCP programs for FY2014-15 and FY2015-16, the fixed guideway caps may be increased or decreased proportionally, depending on the aggregate demand for Score 16 projects compared to projected revenues. Each fixed guideway operator's fixed guideway cap amounts are listed in Attachment 7. Please use the project template to indicate how much of your agency's fixed guideway cap to apply to each project.

The caps are intended to be as flexible as possible, and requests to advance caps from future years will be accommodated to the extent allowed by the fiscal constraints of the program. Please indicate any requests to advance or defer caps in a cover memo with your project application.

Fixed guideway caps amounts may be programmed to any of the eligible project categories listed in Attachment 1, Section III B, Project Funding Caps. Programming for all projects that fall within these categories must be within the operator's cap amount. Operators may request a one-year waiver to use fixed guideway cap funds for other capital needs that are not included in one of the eligible project categories if the operator can demonstrate that the other capital needs can be addressed by the one-year waiver, or that the use of fixed guideway cap funds is part of a multi-year plan to address the other capital needs. The operator must also demonstrate that the waiver will have minimal impact on the operator's ability to meet its fixed guideway capital needs.

10% ADA Set-Aside

Attachment 8 provides revised ADA set-aside percentages and estimated annual amounts by urbanized area and operator. ADA set-aside projects will also need to be entered in the project template. Operators can request to transfer their ADA set-aside funds to capital projects if they certify that their ADA operating costs are covered by other funding sources. This certification will need to be provided in the form of a separate letter included as part of the application packet. This request should also be explained with appropriate detail in the corresponding notes section.

Preventive Maintenance

Preventive maintenance will be considered a Score 9 funding priority in Transit Capital Priorities, unless the conditions for one of the following four policy elements are met, in which case preventive maintenance will be treated as Score 16.

- Funding Exchange
- Capital Exchange
- Negotiated Agreement within an Urbanized Area
- Budgetary Shortfalls

See Attachment 1, Section III C, Preventive Maintenance Funding for details on each of these policy elements. For an individual operator to make use of preventive maintenance funding, other operators in the region must be able to move forward with planned capital replacement. The policy's intent is that funding for preventive maintenance will not increase the region's unfunded transit capital needs.

Operating Assistance

FTA permits the use of FTA Section 5307 small urbanized funds to be used for operating purposes. For operators eligible in both large and small urbanized areas, the amount of small urbanized area funds used for operating assistance will be deducted from the amount programmed for capital projects in the large UA.

MAP-21 provided new eligibility for small and medium-sized bus operators in large urbanized areas to use Section 5307 funds for operating assistance. For operators with up to 75 buses, 75 percent of the urbanized area's apportionment attributable to the operator (as measured by vehicle revenue hours) may be programmed for operating assistance. For operators with up to 76 to 100 buses, 50 percent of the urbanized area's apportionment attributable to the operator (as measured by vehicle revenue hours) may be programmed for operating assistance. Eligible operators may request operating assistance up to the maximum eligible amount, but operating assistance will be programmed only after higher scoring projects in the urbanized area are funded. Operating assistance requests will be treated as Score 8 in the programming process.

Conditioning Programming on Expenditure of Prior Grants

The intent of this policy element is to direct the region's limited funds to the projects most in need of additional resources. If an operator requests TCP funds for a project which received funding in prior years, and the prior-year grants have significant unexpended balances (as determined by reviewing FTA TEAM disbursement reports) at the time the program is being developed, the operator must provide substantial justification for the additional programming. The justification should be included in a separate letter provided along with the application. MTC staff will review the justification before recommending additional funding for the project.

If substantial justification is not provided, MTC staff may propose to redirect funding from projects with unexpended prior grants to other projects to reduce the amount of undisbursed grants and improve the efficiency of new programming.

Joint Procurements

In recognition of the policy direction of the Transit Sustainability Project, before TCP funds are programmed for revenue vehicles, non-revenue vehicles, communications and vehicle location systems, fare collection equipment, bus emission reduction devices, computer systems, including management information systems and maintenance/asset management systems, or other equipment, operators must assess the opportunities for joint procurements and integrated operations with other operators. MTC will coordinate discussions as necessary.

Transit Asset Management

FTA is expected to issue a final rule implementing the new Transit Asset Management (TAM) requirements created by MAP-21 in 2015. In order to comply with the new TAM requirements and improve the region's TAM practices, MTC will work with the operators to evaluate TAM systems and consider joint procurement of such systems to reduce costs, facilitate data interchange with RTCI and NTD, and comply with the new TAM requirements. Also, after FTA publishes and adopts the final Transit Asset Management (TAM) rule required by MAP-21, requests for replacement/rehabilitation of assets should be consistent with TAM plans.

Board Approval

MTC requires that operators seek board approval prior to programming projects in the TIP. The board resolution for FY2014-15 and FY2015-16 programming should be submitted by **December 10, 2014**, the same date MTC's Programming and Allocations Committee will consider the proposed program. If a board resolution cannot be provided by this date due to board meeting schedule constraints, please indicate in a cover memo with your application when the board resolution will be adopted. Attachment 1, Appendix 1 provides a sample resolution of board support.

Opinion of Counsel

Project sponsors have the option of including specified terms and conditions within the Resolution of Local Support. If a project sponsor elects not to include the specified language within the Resolution of Local Support, then the sponsor shall provide MTC with a current Opinion of Counsel stating that the agency is an eligible sponsor of projects for the FTA formula funds; that the agency is authorized to perform the project for which funds are requested; that there is no legal impediment to the agency applying for the funds; and that there is no pending or anticipated litigation which might adversely affect the project or the ability of the agency to carry out the project. A sample format is provided in Attachment 1, Appendix 2.

Proposed Programming Timeline

The timeline for adopting the TCP policy and related programming is outlined below.

TCP Policy / Programming	Start Date	Finish/Due Date
TFWG TCP Policy Discussions	January, 2014	May, 2014
TCP Policy Approved by PAC/Commission	June, 2014	
Call for Projects	July, 2014	August 4, 2014
Proposed TCP program to TFWG	November, 2014	
Proposed TCP program to PAC/Commission	December, 2014	
TCP TIP amendment to PAC/Commission	December, 2014	

If you have any questions or require additional information, please contact Shruti Hari, Transit Capital Priorities Program Manager (shari@mtc.ca.gov or (510) 817-5960).

Sincerely,



Anne Richman

Director

Programming and Allocations

AB:SH

J:\PROJECT\Funding\FTA\Section 5307 and 5309\FY 2014-15 through FY 2015-16\Call for Projects\TCP Call for Projects cover letter V2.doc
Attachments

